G. R. S. IX-5]

Previous references.

1918.

(pp)

Reserve

29.2.43

File No. 99-18

Serial Nos. 1

Later references.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1

Part B for Dec 1918

SUBJECT.

Re: telegram dd 6-9-1918 from the Govt of India, dept of Commerce & Industry re: control of the supply & price of cotton cloth in India

---

G. R. S. III—1] 1918-19

GENERAL AND REVENUE SECRETARIAT.

(P. P

NOTES.

File No. 99

FILE HEADING.

Control of cotton cloth

From

The F. A. Resident

No. 6339 Dated 11. 9. 18 Received 11. 9. 18

Diary No. 4606 | Enclos. 10 Spare Copies. — | Serial No. 1

BRIEF ABSTRACT OF LETTER.

Forwards for information a copy of a telegram dt 6. 9. 1918 from the Indian Cotton Committee - Bombay with copies of Encls nos 6988 & 7621 dt 23rd July 1918 & 8th August 1918 respectively from the Govt of India - Dept of Commerce & Industry - regarding the control of the supply & price of cotton cloth in India

NOTES AND ORDERS.

Subd

Mg

12/9/18

Chief Secy

U/S 12/9/18.

In perusal.

The Director of Industries & the Director of Cs. may be consulted. Either of them may be sent to represent the State at the proposed meeting.

Extra Member
2nd member
through Secy dept

18/9/18

4/14/9

NOTES—First Sheet.

WD 1232—GPB—20,000—18-11-16

G. R. S. III-2]

General and Revenue Secretariat.

PP File No. 99 of 1918.

Serial No.

The meeting is apparently on the 18th and there is no time to send a representative. Mr Nayanthara Aro Sahib is making I understand some enquiries about the patterns of cloth must in use he may be requested to frame an estimate of the minimum quantity required. I see from the papers that it is proposed to make the local funds a State for these such minimum quantity can manufactured cloth for the sale through at the same it is added that there is little likelihood of any such duty remaining unsold. It is proposed to extend the arrangement we have introduced with regard to kerosene oil to other cloth also. A detailed note may be first called for from Mr Nayanthara Aro Sahib and. he may then communicate our views. The point is very clear that the arrangement of commanda

-Contn. sheet.

WD A 1789—GPB—60,000—20-3-18—S.

4661

3

G. R. S. III-2]

General and Revenue Secretariat. | P.O. File No. 19 of 191 8 19

Serial No.

10/- yards ... made then heavy Standard cloth is not likely to be very much affected help as long as imported cloth is not available on the excess profit to be made & built a fact yet that will be taken over & the fact this by 15/8/18

Ch Leg
with compliments 14/8/18

Please send to the Remount Dept labels at once & ask them for an estimate of the quantities required. These may be wired to Bombay - It is too late to send a representative -

8/8/18

SECRETARIAT. POLITICAL BRANCH. 17 DEC. 1918

Forwarded respectfully with Compliments to the Director of Civil Supplies

15826

16/8/18

for Chief Secy to Govt

A detailed report has been submitted to Govt

NOTE—Contn. sheet.

WD A 1789—GPB—60,000—20-3-18—S.2

4.

No. 352 12-9-18

Confidential

R. O. 178. (a)—R. P. B.—7-1918.—1,000.

Chitti 11-9-18 Copy Secret

MYSORE RESIDENT'S OFFICE,

Bangalore, 11th September 1918.

D 4606. P. P 99 of 18-19

Secy

No. 6339

10 Secs

A copy of the marginally* noted telegram ~~letter, with enclosure~~, is forwarded to the Chief Secretary to the Government of His Highness the Maharaja of Mysore for information.

*~~No.~~ dated 6-9-1918

from the Indian Cotton Committee Bombay

with copies of endorsements no 6988 d 23-7-18 (with enclosures) and no 7621 d the 5-8-18 from the Govt of India, Dept of Commerce & Industries

First Assistant Resident.

5

Telegram dated the 6th September 1918, from the Indian Cotton Committee, Bombay, to the Hon'ble the Resident in Mysore, Bangalore.

---:0:---

Preliminary conference regarding control of cotton cloth will be held at Secretariat, Bombay, 11 A.M. on Wednesday, September 18th.

---:0:---

Confidential.

Letter No. 6987, dated Simla, the 23rd July 1918, from the Hon'ble Mr. A. H. Ley, C.I.E., I.C.S., Secretary to the Government of India in the Department of Commerce and Industry, to all Local Governments and Administrations (except Baluchistan, Coorg and Ajmer-Merwara).

---:0:---

To Bengal only.@ x 5292 @ 5293 To Bombay only & 5294 & 5295 To Madras & Burma only.

With reference to the correspondence ending with my letter No dated the 20th June 1918, I am directed to say that as the Government of . . . . . you are no doubt aware, the Government of India appointed an informal committee which met in Bombay at the end of March last to consider (a) whether it would be possible to introduce a scale of mills' charges for cotton cloth, and, if such a scale was possible, what it should be: and (b) whether it would be necessary for this purpose to control in any way the price of, or operations in, raw cotton, and, if so, what steps were practicable in this direction.

I am now to forward for the information of . . . . . your information a copy of the Resolutions passed by the Committee and to make the following remarks.

2. Action has already been taken by the Government of India with reference to Resolutions 1, 2 and 4, and Resolution 3 is under their separate consideration. They believe that the control of the manufacture, distribution and price of certain varieties of cotton cloth will not of itself necessitate control of the price of raw

cotton

cotton or of the exports of raw cotton, whether or no such further control may ultimately be found to be necessary for other reasons They think that there would be no inherent difficulty in fixing in advance the price of certain varieties of locally made cotton cloth at periodical intervals, say once a quarter on the basis of the price of cotton ruling on a particular day The Government of India do not therefore desire the Government of . . . . . (you) to take under consideration in the present connection the first four Resolutions of the Committee, and it is only with regard to the remaining Resolutions that I am now to address you.

3. The Government of India have given these Resolutions their most careful consideration, and agree generally with the proposals which they contain. They are of opinion that it is impossible (and even if possible, undesirable) to attempt to control the price of imported cloth. Without at the moment expressing any opinion as to the feasibility of regulating the prices of all varieties of locally made cloth, they think that as a first step the control of a limited number of varieties, as proposed by the Committee, would not only be feasible but eminently desirable. The Governor General in Council contemplates taking at an early date the legal powers, to be exercised through a Controller required to effect the end in view. It is intended, in the first instance at any rate to limit control to a small number of varieties of cloth, namely, ordinary sarees, dhoties and longcloth used by the poorer classes. This is in accordance with Resolution 6 of the Committee, and these kinds of cloth only will be standardised.

4. The Controller will be assisted by a standing Committee of persons connected with the trade, who will advise him in selecting the kinds of cloth to be standardised in distributing orders among the mills, and generally in his relations with them. (With regard to the personnel of the standing Committee you will be separately addressed). It is clear, however, that if the benefit of the standard prices is

to

to reach the consumer, the distribution will have to be carefully controlled, and in order to formulate a practicable scheme for this purpose, the Government of India consider that the best plan would be for the Controller to discuss the subject generally with the representatives of the Local Governments at a preliminary conference. Some of the special points which it is desirable to discuss in this manner are mentioned below.

5. The varieties of cloth standardised and the amount of each which can be turned out will probably depend ultimately on the capacity of the mills. But it is desirable that the representative of each Local Government should bring with him samples of the cloth which are in most common use among the poorer classes in his province together with an estimate of the quantities of each which the province is likely to absorb. In the opinion of the Government of India it is desirable that steps should be taken at once to frame an estimate of the minimum quantity which will be required.

6. The Government of India think that the standard cloth should only be sold to the public through the agency of vendors who hold a license or permit in this behalf from the Local Government or some officer authorised by them, and whose transactions can be closely controlled. This will allow Local Governments considerable latitude in the agency they select, as they will be able to utilise special Government shops, or shops managed by local bodies, or selected private vendors. The nature of the distributing agency will possibly to some extent depend upon the quantity of cloth available for distribution.

7 The Government of India are informed that <u>benami</u> transactions in connection with the sale of kerosine oil are, in some cases depriving the public of the benefit of the price fixed by the Oil Companies for their sub-agencies. It is most desirable to prevent similar devices being adopted in connection with the sale of standard cloth. It is also desirable that the richer should be prevented from

ousting

ousting the poorer purchasers, and that individual consumers should not be able to obtain more than their fair share of cloth; otherwise they might pass it on at an increased price to their neighbours. Another matter which might be discussed between the Controller and the Provincial representatives is the manner in which indents for standard cloth should be scrutinised and consolidated and whether they should all pass through the Controller at Bombay.

8. As soon as he is appointed, the Controller will address you in regard to the time and place for the proposed conference. In the meanwhile, I am to ask that the Local Government will select you a representative to meet him, who should be acquainted with the views of the Local Government on the points mentioned above and your views any other matters connected with the scheme which they may desire you to bring up for discussion, and who should be supplied with information regarding the kinds of cloth which it is desirable to standardise and the probable amounts required.

I have, etc.,

Sd. A. H. Ley,

Secretary to the Government of India.

No. 6988.

A copy is forwarded to the Hon'ble the Resident in Mysore and Chief Commissioner of Coorg.

x x x x By Order etc.
(Sd) C. P. Jones
Asst Offg. Under Secy. to the Govt of

---:0:---

RESOLUTIONS ARRIVED AT BY THE COTTON PRICES COMMITTEE.

1. It is desirable that the terms for the April 25th settlement should be arranged as soon as possible in the public interest. The Committee consider that it would be preferable for the Cotton Trade itself to decide on the terms of the settlement, Government to validify the decision arrived at if it should be necessary to do so. Failing a decision by the trade Government should fix the terms of the settlement. This interference by Government if it is to be made

made is recommended solely on grounds of expediency and it should be clearly stated by Government that similar interference will not again be made and the steps subsequently proposed for the restriction of undue speculation must be relied upon to prevent a recurrence of the present condition of affairs.

2. The settlement should apply only to contracts of Good Broach expiring on the 25th of April 1918.

3. As any increase in the cost of raw cotton is likely to lead to an increase in the price of cloth the Committee consider 1 an increase might be prevented or checked either by limiting from time to time the price of raw cotton or by restricting the amount of cotton that may be exported. The Committee consider that the latter course would be preferable and would attain the object desired. They think that export should be under license only and should be limited in the case of each country to a proportion of the Indian Crop of the year based on the average of the exports of cotton in the last five years to that country The restriction may be removable if the Indian crop appears likely to leave a large available surplus after the requirements of the Indian mills have been met. The restriction on exportation should be imposed so far as possible in the present year.

4. The Committee consider that steps to check speculation in cotton should be taken These steps may be

(i) the licensing of persons working as brokers or commission agents in Bombay and such other places as Government may think necessary:

(ii) the registration of all contracts in future made on the Bombay market:

(iii) the payment of differences weekly, immediately the necessary arrangements can be made:

(iv) the closure of markets in India in places in which cotton of the description dealt in is not handled to an appreciable extent

extent and the licensing of all permitted markets on such conditions of clearing houses, payment of differences, etc. as may be prescribed.

(v) the establishment of clearing houses to be under the control of the Committee hereafter referred to.

(vi) the widening of the basis of contracts so as to provide for the tender of a wider range of varieties than at present allowed

(vii) the declaration that options on cotton contracts will not be permitted; and

(viii) the regulation of the supply of Indian mills by allotting the amount which any one mill is allowed to hold or to contract for, taking into consideration the circumstances of the local area, and, on the other hand, by requiring holders of cotton to supply the legitimate requisitions of mills.

The Committee consider that these regulations, so far as they affect the Bombay Presidency, should be administered by a temporary body in Bombay composed of representatives of the Cotton Trade - - Association, the Bombay Cotton Exchange and the Bombay and Ahmedabad Mill owners' Association, to be presided over, in the first case, by a Government Officer appointed by Government. The Committee consider that similar bodies should be formed in the various provinces of British India, where they are required, and that the Government of India should take action to ensure similar regulations in Native States. They think that a Central Controller with power to decide in matters affecting more than one province should be appointed. The permanent constitution of these bodies would be dependent on the decision arrived at on the Cotton Committee's report.

5. The Committee consider it desirable that the price of cloth manufactured in the country should not rise above a point justified by the price of raw cotton and other cost of manufacture allowing for a reasonable profit to a manufacturer, dealer and retail-

er

retailer. In view, however, of the difficulty of regulating the prices of all varieties of cloth and of ensuring that the consumer would get the benefit of prices, if so regulated. they consider that a fair measure of control is practicable. if a limited number of varieties are standardised, or manufactured and sold under regulation.

Note A The decision that a case had been made out for taking action to check a further increase in the cost of cloth was carried by 8 votes to 4.

Note B. A proposal that it would be feasible to attempt the regulation of all varieties of cloth both imported and country made was lost by 7 votes to 4.

6. In order to estimate the quantity and the varieties of standard cloth that should be manufactured, the Local Administrations should inform the Central Committee at Bombay of the quantity of ordinary saris, dhotis and longcloth required for the poorer and lower middle classes in their area, and should supply samples of the same. The Committee in Bombay will then prepare specifications showing the counts of warp and weft, reed and picks, the weight of the variety and the size to be put on it. The varieties of standard cloth are not to be of higher or finer counts than 20s warp and 24s weft as a maximum. The obligation of manufacturing such cloth should be distributed by a central authority as equitably possible among the mills, so that each mill would contribute a share of standard cloth proportionate to the total number of its looms.

Note. The Ahmedabad representative considered that the maximum for standard cloth should be raised to cloth of 24s warp and 32s weft.

7. The mills should be allowed to charge for s

only

only so much as would permit a margin of profit not exceeding ten per cent, over the cost of manufacture.

8. It having been stated that the enforcement of the obligation to manufacture the standard cloth might interfere with existing contracts, it is recommended that in the event of any such interference any dispute arising out of it should be settled by the Committee below referred to.

9. To ensure that the full benefit of the standard cloth should reach the consumer dealers' and retail dealers profits should be limited as regards the sale of such cloth. The distribution of the standard cloth should be made either through licensed dealers and retailers or by the agency of shops established by Government, or by other recognised agency as may be most convenient. The retail prices in the different provinces should be fixed by the Local Administrations.

10. A census of yarn and cloth should be taken periodically; when it appears to Government that stocks of yarn or cloth are being unduly withheld from the market Government should have the power of taking over such stocks or of ordering them to be put on the market at the current market rate. If it is decided to attempt to regulate the price of all varieties of cloth, yarn should also be regulated. If standard cloth only is dealt with yarn need not be regulated. The Committee think that it is not necessary at present to regulate yarn on account of the handloom weaver.

11. It is unnecessary and undesirable to place any restriction on the manufacture or price of hand made cloth.

12. Any regulation of prices of country-made cloth in India may stimulate the export of such cloth to other markets. In view of the importance of maintaining Indian trade in such markets it is not recommended that the export trade should be restricted unless it can be shown that India is being denuded of cloth by reason of such trade.

13. The Committee consider it justifiable that Government should

require munitions to be supplied to them as cheaply as possible and that, therefore, they may require that cloth should be supplied at a fixed percentage on the cost of manufacture. The Committee understand that manufacturers have met the Government requirements in a reasonable spirit.

14. A Committee should be appointed to advise the Controller in Bombay on matters connected with the application of the regulations affecting cloth and on matters connected with the cloth and yarn trade generally.

15. The Committee desire again to bring to the notice of Government that the difficulty of obtaining coal adds to the cost of manufacture of cloth and the lack of wagons causes serious difficulties in the movement of cotton and in the distribution of cotton cloth, and tends materially to enhance their market price. The Committee also desire to represent that the high cost of Hessians is a cause of embarrassment to the mill industry. While jute is at the same price as before the war, the price of Hessians has increased fivefold. The Committee consider that this is an article whose price could be easily and justifiably controlled.

---:0:---

Telegram No. 7332, dated Simla, the 31st July 1918, from the Secretary to the Government of India in the Department of Commerce and Industry to the Hon'ble the Resident in Mysore, Bangalore.

---:0:---

"Please treat my endorsement No. 6988, dated 23rd July as confidential for the present further letter follows."

---:0:---

Confidential

Letter No. 7620, dated Simla, the 5th August 1918, from the Hon'ble Mr. A. H. Ley, C.I.E., I.C.S., Secretary to the Government of India

14

India in the Department of Commerce and Industry, to all Local Governments and Administrations (except Baluchistan, Coorg and Ajmer-Merwara).

---:0:---

In continuation of my letter No. 6987, dated the 23rd July 1918 I am directed to draw your attention to a further point which arises in connection with the scheme for the control of locally made cotton cloth of the varieties used by the poorer classes. One of the essential parts of the scheme is that the Mills should be compelled to manufacture standard cloth of the qualities and in the quantities required. It follows that they must be assured of a market for the cloth which they are compelled to manufacture and though no difficul need reasonably be anticipated in this respect it means that Government must guarantee that a market shall be found, and must, therefor be prepared to assume the ultimate financial liability, should it be found impossible to place the cloth upon the market at the price fixed. This is a contingency which is hardly likely to arise, but the liability must be admitted. The Government of India consider that this liability should fall on Local Governments for such quantiti and varieties of cloth for which they indent, whether the cloth is to be sold in Government shops or by licensed dealers, and the point is one which you will no doubt bear in mind in estimating the quantiti required.

In conclusion, I am to request that the scheme should, for the present, be treated as confidential. The necessary legislation canno be undertaken without the previous approval of the Secretary of State and until this is obtained. the proposals should not be publicly divulged.

No. 7621.

A copy is also forwarded to the Hon'ble the Resident in Mysore and Chief Commissioner of Coorg in continuation of this Dept's Endorsement No. 6988 dated 23-7-1918.

---:0:---

"C O P Y"

By Order etc

(Sd) E. P. Jones,

for Offg. under Secy. to the Govt. of India

REGISTRAR.